

**Menominee & Ingallston
Township Fire Department**

Financial Report
with Supplemental Information
Prepared in Accordance with GASB-34

For the Year Ended
March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Menominee & Ingallston Township Fire Department	County MENOMINEE
Audit Date MARCH 31, 2005	Opinion Date AUGUST 31, 2005	Date Accountant Report Submitted to State: MAY 10, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) CARL R. SORESENSEN, CPA			
Street Address 844 PIERCE AVENUE	City MARINETTE	State WI	ZIP 54143
Accountant Signature 			

Menominee & Ingallston Township Fire Department

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INDEPENDENT AUDITOR'S REPORT

Menominee & Ingallston Township
Fire Department Board
Menominee County, Michigan

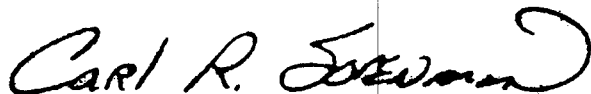
I have audited the accompanying general purpose financial statements of the Governmental Activities of Menominee & Ingallston Township Fire Department, Menominee County, Michigan, for the year ended March 31, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities of Menominee & Ingallston Township Fire Department, Menominee County, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's discussion and analysis and budgetary comparison information on pages 2 through 4 and page 15 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.



August 31, 2005

Menominee & Ingallston Township Fire Department

Management's Discussion and Analysis for the Year Ended March 31, 2005

This section of Menominee & Ingallston Township Fire Department's annual financial report presents our discussion and analysis of the Unit's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Unit's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB-34) *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB-34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Menominee & Ingallston Township Fire Department financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Unit, presenting both an aggregate view of the Unit's finances and a longer term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principle and interest on long term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Government-Wide Financial Statements

The Government-Wide financial statements are full accrual basis statements. They report all of the Unit's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long term obligations of the Unit are reported in the Statement of Net Assets of the Government-Wide financial statements.

Menominee & Ingallston Township Fire Department

Management's Discussion and Analysis for the Year Ended March 31, 2005

Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2005.

	Governmental Activities
Assets	
Current assets	\$ 16,044
Capital assets - net of accumulated depreciation	<u>143,349</u>
Total Assets	<u>\$ 159,393</u>
Liabilities	
Current liabilities	\$ -
Long term liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets	
Net Assets Invested in capital assets, net of related debt	143,349
Unrestricted	<u>16,044</u>
Total Net Assets	<u>159,393</u>
Total Liabilities and Net Assets	<u>\$ 159,393</u>

Analysis of Financial Position

The assets of the Menominee & Ingallston Township Fire Department is \$159,393 with no liabilities at March 31. Of this amount, \$16,044 (*unrestricted net assets*) may be used to meet the Unit's ongoing obligations to citizens and creditors.

The Unit's total net assets decreased by a net amount of \$62,450.

As of March 31, 2005, the Unit's Governmental Fund reported an ending fund balance of \$16,044, a decrease of \$19,627 in comparison with the prior year. This total amount is available for spending at the Unit's discretion (*unrestricted fund balance*).

Menominee & Ingallston Township Fire Department

Management's Discussion and Analysis for the Year Ended March 31, 2005

Results of Operations

For the fiscal year ended March 31, 2005, the Unit's results of operations is as follows:

	<u>March 31, 2005</u>
Revenue	
Intergovernmental	
Menominee Township	\$ 42,000
Ingallston Township	18 000
Other revenue	<u>7,781</u>
Total Revenue	<u>67,781</u>
Expenses	
Public safety	62,408
Capital outlay	<u>25,000</u>
Total Expenses	<u>87,408</u>
Increase in Net Assets	(19,627)
Beginning Net Assets	<u>35,671</u>
Ending Net Assets	<u>\$ 16,044</u>

Original vs. Final Budget

An original Budget was prepared on February 24, 2004 and amended on October 24, 2004. The amended changes were made to bring line items in agreement with anticipated activity.

Actual results were better than expected as receipts exceeded budgeted amounts and expenditures were \$5,000 less than anticipated.

Capital Assets

The Unit's investment in capital assets decreased \$48,223. This can be summarized as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2005</u>
Land	\$ 100	\$ 25,000	\$ -	\$ 25,100
Buildings	66,861	-	-	66,861
Equipment	<u>542,572</u>	-	-	<u>542,572</u>
	609,533	25,000	-	634,533
Less: Accumulated Depr.	<u>(423,361)</u>	<u>(67,823)</u>	-	<u>(491,184)</u>
Net Assets	<u>\$ 186,172</u>	<u>\$ (42,823)</u>	<u>\$ -</u>	<u>\$ 143,349</u>

Contacting the Unit's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Unit's finances. If you have questions about this report or need additional information, contact the Fire Department.

Menominee & Ingallston Township Fire Department

Statement of Net Assets for the Year Ended March 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 16,044
Total Current Assets	<u>16,044</u>
Non-Current Assets	
Capital assets	634,533
Less accumulated depreciation	<u>491,184</u>
Total Non-Current Assets	<u>143,349</u>
Total Assets	<u>\$ 159,393</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ —
Total Current Liabilities	<u>—</u>
Net Assets	
Net assets invested in capital assets, net of related debt	143,349
Unrestricted	<u>16,044</u>
Total Net Assets	<u>159,393</u>
Total Liabilities and Net Assets	<u>\$ 159,393</u>

Menominee & Ingallston Township Fire Department

Statement Activities
for the Year Ended March 31, 2005

		<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Service</u>	<u>Operating Grants</u>	<u>Net (expense) Revenue and Change in Net Assets</u>
	<u>Expense</u>			
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety	\$ 130,231	\$ 60,000	\$ 4,700	\$ (65,531)
Total Governmental Activities	<u>\$ 130,231</u>	<u>\$ 60,000</u>	<u>\$ 4,700</u>	<u>(65,531)</u>
 GENERAL REVENUES				
Miscellaneous				
Total General Revenue				<u>3,081</u>
Changes in Net Assets				(62,450)
Net Assets:				
Beginning of Year				<u>221,843</u>
End of Year				<u>\$ 159,393</u>

Menominee & Ingallston Township Fire Department
Balance Sheet
Governmental Fund
for the Year Ended March 31, 2005

ASSETS

Cash

\$ 16,044

Total Assets

16,044

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable

\$ —

Total Liabilities

—

FUND BALANCES

Undesignated

16,044

Total Fund Balance

16,044

**TOTAL LIABILITIES
AND FUND BALANCES**

\$ 16,044

Menominee & Ingallston Township Transfer Station
Governmental Fund
Reconciliation of Balance Sheet of Governmental Fund to Net Assets
March 31, 2005

Total Fund Balances - Governmental Fund	\$ 16,044
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*Amounts reported for Governmental activities
in the statement of net assets are different because:*

Capital assets used in Governmental activities
are not financial resources and are not reported
in the fund.

The cost of the capital assets is	634,533
Accumulated depreciation is	<u>(491,184)</u>

Net Assets of Governmental Activities	<u>\$ 159,393</u>
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Menominee & Ingallston Township Fire Department
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Fund
for the Year Ended March 31, 2005

REVENUE

Intergovernmental	
Menominee Township	\$ 42,000
Ingallston Township	18,000
Other revenue	<u>7,781</u>
Total Revenue	67,781

EXPENDITURES

Public safety	62,408
Capital outlay	<u>25,000</u>
Total Expenditures	<u>87,408</u>

Excess of Revenues Over (Under) Expenditures	(19,627)
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Fund Balance - April 1	<u>35,671</u>
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Fund Balance - March 31	<u>\$ 16,044</u>
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Menominee & Ingallston Township Fire Department
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Fund to the Statement of Activities
for the Year Ended March 31, 2005

Net change in fund balances - total Governmental funds	\$(19,627)
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*Amounts reported for Governmental activities
in the statement of net assets are different because:*

Governmental funds report capital outlay as
expenditures; in the statement of activities.
These costs are allocated over their estimated
useful lives as depreciation.

Capital outlay	25,000	
Depreciation expense	<u>(67,823)</u>	<u>(42,823)</u>

Change in net assets of Governmental Activities	\$(<u>62,450</u>)
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Menominee & Ingallston Township Fire Department
Menominee County, Michigan
Note to General Purpose Financial Statements
March 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements to the Menominee & Ingallston Township Fire Department, Menominee County, Michigan have been prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing Governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Menominee and Ingallston Township's Fire Department are described below:

1. The Financial Reporting Entity

The Menominee and Ingallston Township Fire Department is a joint venture between Menominee and Ingallston Townships in Menominee County, Michigan, formed to provide fire protection to both Township's residents. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. The Fire Department operates under a ten-member board consisting of the Menominee and Ingallston Township Board members.

2. Government-wide and Fund Financial Statements

The Government-wide financial statements (*i.e., the statement of net assets and the statement of changes in net assets*) report information on all of the nonfiduciary activities of the primary Government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities are reported separate from business-type activities. All the Unit's Government-wide activities are considered Governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions of the Fire Department including revenues primarily from intergovernmental revenue.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-wide Statements

The Unit's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Menominee & Ingallston Township Fire Department
Menominee County, Michigan
Note to General Purpose Financial Statements (continued)
March 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENTAL FUNDS

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation Government-wide Statements (continued)

Accounts reported as program revenue include charges to the Township's for Fire Services provided.

Fund Based Statements

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

4. Budgets and Budgetary Accounting

The Fire Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During March, the Fire Department Board proposes an operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the Menominee and Ingallston Township Board's, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget including authorized additions and deletions, is legally enacted by the Township's Boards' action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Fire Department. Amendments to the budget during the year require approval by the Fire Department Board.
- e. Encumbrance is not used by the Fire Department to record commitments related to unperformed contracts for goods and services.

Menominee & Ingallston Township Fire Department
Menominee County, Michigan
Note to General Purpose Financial Statements (continued)
March 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENTAL FUNDS

5. Cash
Cash consists of demand deposits with financial institutions and are carried at cost.
6. Fund Equity
Under the provisions of GASB Statement No. 1, the Fire Department may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.
7. Capital Assets
Capital assets which include land, buildings and equipment are reported in the applicable Governmental column in the Government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 years
Other equipment	8 years

Prior to April 2004, Governmental Funds Capital Assets were accounted for in the General Fixed Assets account group and were not recorded directly as a part of any individual funds financial statements. Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB 34 Governmental units are required to account for all capital assets including infrastructure in the Government-wide statements prospectively from the date of implementation. For the year ended March 31, 2005, the Unit had no infrastructure additions in their Governmental fund types.

Menominee & Ingallston Township Fire Department
Menominee County, Michigan
Note to General Purpose Financial Statements (continued)
March 31, 2005

NOTE B CASH

The carrying value of cash of the Fire Department totaled \$16,044 on March 31, 2005 and consisted of demand deposits with financial institutions.

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for demand deposits and \$100,000 for time deposits. The bank balance of the Fire Department's deposits totaled \$16,741 on March 31, 2005. All amounts were covered by FDIC insurance.

NOTE C CAPITAL ASSETS

The changes in capital assets are as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2005</u>
Land	\$ 100	\$ 25,000	\$ -	\$ 25,100
Buildings	66,861	-	-	66,861
Equipment	<u>542,572</u>	<u>-</u>	<u>-</u>	<u>542,572</u>
	609,533	25,000	-	634,533
Less: Accumulated Depreciation	<u>(423,361)</u>	<u>(67,823)</u>	<u>-</u>	<u>(491,184)</u>
Net Assets	<u>\$ 186,172</u>	<u>\$ (42,823)</u>	<u>\$ -</u>	<u>\$ 143,349</u>

Depreciation expenses of \$42,823 were charged to the fund:

NOTE D RISK MANAGEMENT

The Fire Department has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the Fire Department.

NOTE E CONTINGENT LIABILITIES

From time to time, the Fire Department is party to pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fire Department's financial position or results of operations.

REQUIRED SUPPLEMENTAL INFORMATION

Menominee & Ingallston Township Fire Department
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenue				
Intergovernmental				
Menominee Township	\$ 42,000	\$ 42,000	\$ 42,000	\$ -
Ingallston Township	18,000	18,000	18,000	-
Other revenue	<u>-</u>	<u>-</u>	<u>7,781</u>	<u>7,781</u>
Total Revenue	60,000	60,000	67,781	7,781
Expenditures				
Public Safety				
Salaries and benefits	10,100	12,300	11,445	(855)
Supplies	15,000	15,000	9,788	(5,212)
Insurance	12,500	15,793	15,791	(2)
Heating	3,000	3,000	4,812	1,812
Maintenance and cleaning	3,500	3,500	1,633	(1,867)
Training	3,000	3,000	3,000	-
Fire service contract	2,500	2,500	2,500	-
Repairs	5,000	5,012	5,167	155
Electricity	1,100	1,100	1,124	24
Fuel	1,100	1,100	1,438	338
Telephone	1,250	1,250	1,306	56
Professional services	-	-	3,763	3,763
Miscellaneous	3,000	24,229	641	(23,588)
Contingency	4,950	4,950	-	(4,950)
Capital outlay	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total Expenditures	<u>66,000</u>	<u>92,734</u>	<u>87,408</u>	<u>(5,326)</u>
Excess of Revenues Over (Under) Expenditures	(6,000)	(32,734)	(19,627)	13,107
Fund Balance - April 1	<u>6,000</u>	<u>29,229</u>	<u>35,671</u>	<u>6,442</u>
Fund Balance - March 31	<u>\$ -</u>	<u>\$ (3,505)</u>	<u>\$ 16,044</u>	<u>\$ 19,549</u>